



May 9, 2007

TO: Transportation Authority of Marin Executive Committee

FROM: Dianne Steinhauser, Executive Director

THROUGH: Li Zhang, Manager of Finance and Administration

RE: Review of Draft TAM FY2007-08 Budget, Agenda Item 8

Dear Commissioners:

Executive Summary:

Attached for your review is the Draft TAM FY2007-08 Budget. Pursuant to Article VI, Section 106.1 of the TAM Administrative Code, no later than the Authority's June meeting, the Board shall adopt the annual budget for the ensuing fiscal year. The Administrative Code further requires that a public hearing be held on the adoption of the budget and the proposed budget be posted for no less than a thirty days public comment period.

After incorporating input from the Executive Committee, the Draft TAM FY2007-08 Budget will be presented at the TAM May 24th Board meeting. Draft budget information will also be presented to the City/Town Managers and County Administrator at their May 24th Marin Manager's Association meeting. The draft budget will be posted on the TAM website for public review and comment at least thirty days prior to its consideration for adoption. The Board will conduct a public hearing and consider adoption of the TAM FY2007-08 Budget at its June 28th Board Meeting.

The Draft FY2006-07 TAM Budget meets the needs of the agency as outlined in TAM's Workplans. Four Attachments are included in this report for your review:

- Attachment 1. Draft TAM FY2007-08 Budget
- Attachment 2. Assumptions for FY2007-08 Budget Development
- Attachment 3. FY2007-08 City/Town/County CMA Fee Schedule
- Attachment 4. Calculation of FY2007-08 Appropriation Limit

Recommendation: Provide comments on the Draft TAM FY2007-08 Budget, and recommend to the full TAM Board for posting.

Background:

Pursuant to Article VI, Section 106.1 of the TAM Administrative Code, no later than the Authority's June meeting, the Board shall adopt the annual budget for the ensuing fiscal year. The Administrative Code further requires that a public hearing be held on the adoption of the budget and the proposed budget be posted for a no less than thirty days public comment period.

The budget provides reasonable estimates for revenues expected for the upcoming fiscal year, as well as potential expenditures. Attachment 1, Draft TAM FY2007-08 Budget illustrates all revenues and expenditure items included in the budget. Revenues included reflect both funds that TAM directly manages, such as Measure A Sales Tax, and funds that TAM acts as the pass-through agency, such as the Regional Measure 2 funding for Marin County. Attachment 2 of the report illustrates assumptions used for the specific line items in the budget. As the Congestion Management Agency of Marin County; TAM collects contributions from each city/town and the county for the transportation programming/planning services it provides. The fee is based on a 50% population/50% public road mileage maintained formula. Each jurisdiction's share for FY2007-08 is shown in Attachment 3. Attachment 4 illustrates TAM's annual appropriation limit (Gann Limit) calculation.

TAM Continues Its Transition:

TAM begins the FY2007-08 year completing its transition to an independently functioning agency integrating the CMA and Sales Tax Authority functions of TAM. TAM filled three critical manager positions in the current year and is in the process of hiring an Accounting and Administration Specialist. While in its transition from staff supplied by the Marin County Public Works Department to staff employed directly by TAM, TAM will continue to retain on loan 2 and 3/4 Full Time Equivalent County staff next year, to continue critical work such as the Greenbrae/580/101 Corridor development and TAM's Planning activities. TAM is also expected to end its one and a half year long office search by July of 2007. The Board has authorized staff to find an office in central San Rafael to cohabitate with the Marin County Transit District (MCTD) and the Sonoma Marin Area Rail Transit (SMART). The Budget for FY2007-08 includes the ongoing establishment of the independent office for TAM as well as the furniture budget rollover from FY2006-07, as well as the server and other minor equipment purchases.

Highlights of TAM's FY2007-08 Budget:

Measure A Revenue:

Based on the disbursements received as of March of 2007, TAM staff estimates total Measure A revenue for FY2006-07 will be about \$20.8 million. This \$20.8 million revenue estimate reflects a 4.2% growth over actual revenue of FY2005-06. Due to the fact that economic uncertainty remains on the horizon, staff proposes to maintain this final estimated revenue for FY2006-07 as the projected revenue amount for FY2007-08. This is \$1 million more than what was projected in TAM's 2006 Strategic Plan for FY2007-08. The much needed transportation projects/programs in Marin County will benefit from the additional revenue. The TAM Strategic Plan will program this additional revenue with the Board able to allocate in FY2007-08, making this revenue fully available to project sponsors.

As specified in the Expenditure Plan and TAM's 2006 Strategic Plan, 5% of the total revenue is taken off the top for the administration of the sales tax and program/project management oversight, and another 5% of the sales tax revenue is set aside as reserve to prepare for unforeseen economic hardship, or funding loss. For FY2007-08, based on the \$20.8 million revenue estimates, a total of \$1.04 million will be earmarked for Measure A administration and program management support, and an additional

\$1.04 million will be put into reserve. Also, \$2.35 million will be deposited for Strategy 2, after the 10% takedown mentioned above, to fulfill the \$25 million committed to the 101 HOV Gap Closure Project. Revenue share for the remaining three strategies are recalculated and the remaining funds are distributed accordingly.

Potential Debt Financing Needs:

Segment 4 of the Highway 101 Gap closure Project is currently being advertised with bids opening at the end of May. TAM has dedicated a total of \$25 million of Measure A revenue to the project primarily through the cooperative agreement with Caltrans, design contract with Nolte, and project management support commitments. While TAM is able to use the \$2.35 million annual debt service reserve next year to meet the cash flow needs of the project, all of the remaining funding needs will need to be satisfied by the end of FY2008-09 based on the current project schedule, necessitating debt financing. Simultaneous to the Highway 101 Gap Closure Project funding need is the need for Measure A funding for a number of Major Road Projects. Current project schedules indicate that funding needs will exceed revenues collected starting in FY2008-09. Over the next six month period, staff will develop a debt financing policy and process, and present various financing options to the Board for review. The actual debt financing needs for both the Highway 101 Gap Closure Project and Major Roads will be determined during the process and the budget will be revised if necessary.

New Revenues Expected for FY2007-08:

STIP/PPM: With the passage of Assembly Bill 2538, TAM now can use up to 5% of its STIP funds for Planning, Programming, and Monitoring (PPM) activities. Compared to the \$24,000 available in FY2006-07, \$141,000 will be available in TAM's FY2007-08 budget for staff support and other STIP related activities.

RM2: TAM expects a total of \$7.1 million Regional Measure 2 (RM2) revenue allocated to Marin projects for FY2007-08, a more than \$3 million increase compared to FY2005-06. The increase is due to the starting of construction work for Marin County's Calpark Hill Multi—use Pathway, as well as the project study work for the Greenbrae/580/101 Project.

NTPP: The Non-motorized Transportation Pilot Program (NTPP) was created in 2005 as part of SAFETEA-LU to demonstrate the extent to which bicycling and walking can carry a significant part of the transportation load, and represent a major portion of the transportation solution. Marin County was one of the four locations nationwide to receive a \$25 million grant of NTPP funds. The Central Marin Ferry Connection Project, part of the Greenbrae/580/101 corridor received \$2 million from the program and is planning to use the total amount in FY2007-08 for the Multi-use Pathway portion of the project.

CMIA: TAM successfully secured \$20 million in the Corridor Mobility Improvement Account (CMIA) for the 580/101 Connector Project. \$2 million of the revenue is expected to be utilized in FY2007-08 to start efforts on this project

MSN Federal Earmark: TAM obtained a \$842,000 federal earmark through the SAFETEA-LU reauthorization to support environmental and preliminary engineering work on the Marin Sonoma Narrows (MSN) Project, with \$500,000 of the total amount expected to be used in FY2007-08.

TCRP: About \$3.1 million from the Traffic Congestion Relieve Program (TCRP) is expected to come in FY2007-08 as revenue for starting the design work on the Marin Sonoma Narrows Segment A.

Major Expenditure Categories:

Administration: Compared to FY2006-07, there is an approximately \$550,000 increase in the Administration Category. The Salaries and Benefits and Equipment line items are the major contributors to the budget increase. Increase in the Salaries and Benefits item is due to being fully staffed to approved level. The budget also includes funding for the recently approved Accounting and Administration Specialist position. Also note that \$44,000 of the total \$80,000 Equipment item is a rollover from the FY2006-07 budget for TAM's server project, which is postponed due to the delay of TAM's move. Staff also proposes two new budget line items: Professional Development and Misc. Expenditures, at \$5,000 each. The Professional Development item will enable staff to take training that will improve their professional skills. The Misc. Expenditures item is a contingency item for any necessary non-budgeted administration needs.

Professional Services: The Professional Service Category of the FY2007-08 Budget is increase by more than \$7.4 compared to the budget of FY2006-07. TAM's undertaking of several major capital projects, such as the Marin Sonoma Narrows Project and the 580/101 Connector, are major contributors to the increase. Also, expenditures for the Greenbrae/580/101 Project are also expected to increase by \$2 million as major design work of the project starts to ramp up.

Measure A Programs: As specified in the 2006 Strategic Plan, 5%, \$1.04 million, of the \$20.8 million Measure A revenue expected for FY2007-08 is set aside as reserve. TAM is expected to fully allocate the funding share for Strategy 1 and 2. The budgeted amounts for Strategy 3 and Strategy 4 are based on the actual project/program needs. Total Measure A expenditures will be \$23.2 million, a \$4.9 million increase compared to FY2006-07 budgeted expenditures. Note that while we collect just over \$20 Million, there is a substantial carryover which in part will be spent in FY 2007-08.

Interagency Agreements: The Interagency Agreements category covers projects that TAM acts as the pass through agency, instead of directly project sponsor. Expenditure level for all the TFCA projects is expected to be similar to FY2006-07, at \$600,000. The more than \$4 million budget increase for this category is due to the fact that the fund agreement with Marin County on RM2 funds will increase from \$1.05 million as in the current budget to \$5.9 million for FY2007-08.

Prior Year Carryover: Based on the current revenues and expenditures trend, it's estimated that FY2006-07 will end with about \$20 million available in various TAM funding accounts. Please note all of the funds that will carry into FY2007-08 from FY2006-07 are restricted. In other words, it is planned for expenditures in upcoming years, including allocations for Measure A projects/programs, professional services for various CMA activities, etc.

Appropriations Limit:

The TAM Ordinance 2004-1 adopted the final Measure A Sales Tax Expenditure Plan and an annual appropriations limit (Gann Limit) as required by Article XIII B of the State Constitution. Each year the limit is re-calculated based on inflation and population growth factors. As shown in Attachment 4, the FY2007-08 appropriations limit is \$55,398,679, and the net sales tax amount subject to limitation is \$38,300,000. This sales tax amount includes the prior year carry forward and new Measure A revenues available in FY2007-08. At this time, approximately \$17.5 million of Measure A funds are expected to be carried forward into FY2007-08.

Recommendation:

Provide comments on the Draft TAM FY2007-08 Budget, and recommend to the full TAM Board for posting.

Attachments:

- Attachment 1. Draft TAM FY2007-08 Budget
- Attachment 2. Assumptions for FY2007-08 Budget Development
- Attachment 3. FY2007-08 City/Town/ County CMA Fee Schedule
- Attachment 4. Calculation of FY2007-08 Appropriation Limit

Attachment 1

**Transportation Authority of Marin
DRAFT FY2007-08 Annual Budget**

	Adpoted FY 06-07	Proposed FY2007-08	Change
REVENUE			
Measure A	19,503,000	20,800,000	1,297,000
Cities and Counties	430,000	430,000	-
Interest Earned		250,000	250,000
STP/CMAQ	525,000	375,000	(150,000)
T-Plus		150,000	
STIP/PPM	24,000	141,000	117,000
STP One-Time	130,000		(130,000)
RM2	3,712,500	7,100,000	3,387,500
Community Based Transportation	60,000	55,000	(5,000)
TDA Article 3	77,050	63,000	(14,050)
TFCA/BAAQMD	619,164	363,038	(256,126)
Non-Motorized Transportation Pilot Program		2,000,000	2,000,000
MSN Federal Earmark	253,886	500,000	246,114
CMIA Bond Revenue		2,000,000	
TCRP		3,100,000	
<i>Total Revenue Available</i>	<i>31,844,896</i>	<i>37,327,038</i>	<i>5,482,142</i>
EXPENDITURES			
Administration			
Salaries & Benefits	1,278,462	1,778,000	499,538
Office Lease	186,500	186,500	-
Office Furniture	79,500	79,500	-
Equipment	44,000	80,000	36,000
Telephone	14,300	14,300	-
Office Supplies	20,000	20,000	-
Insurance	5,000	5,000	-
Audit	19,000	15,000	(4,000)
Legal	13,000	20,000	7,000
Accounting/Payroll	10,000	10,000	-
Document Reproduction	10,000	10,000	-
Memberships	10,000	10,000	-
Travel/Meetings/Conferences	17,500	20,000	2,500
Professional Development	-	5,000	5,000
Misc. Expenses	-	5,000	5,000
Line of Credit			
<i>Subtotal, Administration</i>	<i>1,707,262</i>	<i>2,258,300</i>	<i>551,038</i>

Attachment 1

**Transportation Authority of Marin
DRAFT FY2007-08 Annual Budget**

	Adpoted FY 06-07	Proposed FY2007-08	Change
Professional Services			
CMP	120,000	65,000	(55,000)
T-PLUS	74,500	75,000	500
PMO Consultant	402,633	400,000	(2,633)
Community Based Transportation	54,000	49,000	(5,000)
Bike Planning	77,050	63,000	(14,050)
MSN Hot Lane Follow Up Study	150,000	200,000	50,000
MSN Preliminary Engineer and Design		3,100,000	3,100,000
101 Gap Closure CMO		290,000	
Federal Legislative Assistance	-	25,000	25,000
State Legislative Assistance	35,000	35,000	-
Financial Advisor	35,000	35,000	-
HR/IT Support	55,000	55,000	-
Consulting Pool	24,853	50,000	25,147
Hwy 101/Greenbrae	1,600,000	3,600,000	2,000,000
580/101 Connector		2,000,000	2,000,000
Subtotal, Professional Services	2,628,036	10,042,000	7,413,964
Measure A Programs			
Reserve	1,032,150	1,040,000	7,850
Project Management	765,000	765,000	-
Strategy 1 - Transit	8,945,389	9,733,514	788,125
Strategy 2 - Gap Closure	1,490,732	2,350,000	859,268
Strategy 3 - Streets & Rds	4,810,190	6,436,392	1,626,202
Strategy 4 - Safe Routes	1,295,000	2,875,653	1,580,653
Subtotal, Measure A Programs	18,338,461	23,200,559	4,862,098
Interagency Agreements			
TFCA	601,252	600,000	(1,252)
Larkspur RM2	810,000		
County RM2	1,050,000	5,900,000	4,850,000
Subtotal, Interagency Agreements	2,461,252	6,500,000	4,038,748
Total Expenditures	25,135,011	42,000,859	16,865,848
Net Change in Fund Balance	6,709,885	(4,673,821)	(11,383,706)
Beginning Balance - July 1, 2007	6,645,296	20,000,000	13,354,704
Ending Balance	13,355,181	15,326,179	1,970,998

Attachment 2

Assumptions for FY2007-08 Budget Development

Item	Assumption
REVENUES	
Measure A	\$20.8 million, estimates based on FY2006-07 Measure A disbursement as of April, 2007
Cities and Counties	\$430,000, based on 50% roadmiles/50% population formula using the same factors from FY2006-07; amounts for cities/towns and county is in Attachment 3
STP/ CMAQ	\$375,000, based on the funding agreement with MTC for FY2006-07, no funding level change is expected for FY2007-08
T-Plus	Continuation of same funding level from MTC
STIP/ PPM	\$141,000, based on the programming amount in the STIP, CMAs can use up to 5% for PPM with the passage of AB2536
BAAQMD/ TFCA	\$363,038. Based on FY2007-08 revenue estimates and FY2006-07 true up provided by BAAQMD
RM-2	\$7.1 million. RM-2 Bridge Toll funds for Marin County projects are managed by TAM
CBT	\$55,000 grant, reimbursement based, amount expected to spent in FY2007-08, \$49,000 for contact, \$6,000 staff support
TDA Art. 3	\$63,000. TDA Article 3 funds will be used for the Bicycle and Pedestrian Plan update, as allocated by the TAM board
MSN Fed Earmark	An \$842,000 earmark for the Marin Sonoma Narrows project was made available through SAFETEA-LU, which will cover multi-year expenditures. \$500,000 funding is budgeted for staff costs, consultant management support, and a toll road/HOT lane study
CMIA	\$2 million CMIA funding for the 580/101 Interchange environmental and design work
TCRP	\$3.1 million funding for MSN design, most likely from TCRP funds
EXPENDITURES	
Administration	
<i>Salaries and Benefits</i>	\$1.78 million, based on current staff level, 7 TAM/LGS positions and 3 TAM/County employees. Average 3% inflation is assumed
<i>Office Lease</i>	\$186,500, 5,000 sf @\$2.90/sf/mo = \$145,000 per year; \$41,500 for potential tenant improvement needs.
<i>Furniture</i>	\$79,500, 14 workstations at \$5,200 each; balance for misc other furniture needs
<i>Equipment</i>	\$80,000, For server, computers, phone and other equipment needed. \$44,000 rollover from last year for server purchase
<i>Telephone</i>	\$14,300, service fees for TAM office and cell phones.
<i>Office Supplies</i>	\$20,000, based on estimated FY2006-07 expenditures , plus increase for increased staffing; includes copier lease
<i>Document Reproduction</i>	\$10,000, based on estimated FY2006-07 expenditures, including Annual Report production
<i>Insurance</i>	\$5,000, based on current quote.
<i>Audit</i>	\$15,000, based on FY2005-06 Audit needs and a revised work scope
<i>Legal</i>	\$20,000, based on prior year estimated actual plus additional activity
<i>County Accounting Services</i>	\$10,000, based on contract estimate
<i>Memberships/Dues</i>	\$10,000, based on Self Help Counties Coalition, CalCOG, dues for employees' professional memberships
<i>Travel, Training and Conferences</i>	\$20,000, based on prior year estimated actual plus additional travel for increased staffing
<i>Professional development</i>	\$5,000, for staff professional/computer skill trainings/classes

Attachment 2**Assumptions for FY2007-08 Budget Development**

Professional Services	Based on current and anticipated consulting contracts
Measure A Programs	
<i>Measure A Reserve</i>	\$1,040,000. A 5% reserve fund is established as allowed in the Expenditure Plan to address potential variations in sales tax revenues
<i>Project Management</i>	Project management fees assigned to programs per 2006 Strategic Plan
<i>Strategy 1</i>	Based on fully allocate estimated available revenue
<i>Strategy 2</i>	Assign the \$2.35 million debt service reserve revenue to Strategy 2
<i>Strategy 3</i>	Based on projects needs of Substrategy 3.1 and fully allocate FY2006-07 revenue and prior year carryover to Substrategy 3.2
<i>Strategy 4</i>	Based on projects/programs needs
Interagency Agreement	
<i>TFC A</i>	Potential reimbursement requests for FY2007-08 are expected at \$600,000
<i>County RM2</i>	Pass-through RM2 funding for Marin County's RM2 funded projects

Attachment 3**FY2007-08 City/Town/County CMA Fee Schedule**

Agency	Pro-Rata Share	FY2007-08 Fee
Belvedere	1.02%	\$ 4,371
Corte Madera	2.95%	\$ 12,688
Fairfax	2.87%	\$ 12,357
Larkspur	4.14%	\$ 17,794
Mill Valley	6.05%	\$ 26,005
Novato	17.10%	\$ 73,536
Ross	1.23%	\$ 5,271
San Anselmo	4.78%	\$ 20,563
San Rafael	20.13%	\$ 86,548
Sausalito	2.84%	\$ 12,208
Tiburon	3.26%	\$ 14,011
County	33.64%	\$ 144,648
Total	100.00%	\$ 430,000

Notes:

1. Based on 50% road miles and 50% population formula.
2. Based on 2005 Department of Finance Population Estimates and FY2002-03 Marin County Road List.

Attachment 4

Calculation of FY2007-08 Appropriation Limit

Calculation of FY2007-08 Appropriation Limit

FY2006-07 Appropriation Limit		\$	52,797,509
Inflation Factor (Per capita income change, 2005-2006)*	X		1.0414
Population Factor (Population change, 2005-2006)*	X		<u>1.0076</u>
FY2007-08 Appropriation Limit		\$	55,398,679

Appropriations Subject to the Limit

The amounts in the Draft TAM FY 2007-08 Budget subject to the Limit (net proceeds of taxes) total \$20,800,000. This amount is significantly below the required Limit:

FY2007-08 Appropriation Limit	\$	55,398,679
FY2007-08 Appropriations Subject to Limit	\$	38,300,000
Amount under Limit	\$	17,098,679

Sources:

1. Marin County Per Capital Income data for 2004 and 2005, from Bureau of Economic Analysis, US Department of Commerce.
<http://www.bea.gov/regional/reis/drill.cfm>
2. Marin County Population data for July 2005, and July 2006, from California Department of Finance.
http://www.dof.ca.gov/HTML/DEMOGRAP/ReportsPapers/Estimates/E2/documents/E-2_Report_Jul06.xls